

MEGAWIDE CONSTRUCTION CORPORATION

Company's Full Name

**2/F SpringBldg.,
Arnaiz Ave. cor. P. Burgos St., Pasay City**
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17 – Q
Form Type

June 30, 2016
Period Ended Date

—

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2016**
2. SEC Identification Number **CS200411461**
3. BIR Tax Identification No. **232-715-069-000**
4. Exact name of issuer as specified in its charter **Megawide Construction Corporation**
5. Province, Country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code (SEC Use Only)
7. Address of Principal Office **2/F Spring Bldg. Arnaiz Ave. cor. P. Burgos St., Pasay City, Metro Manila**
Postal Code
8. Issuer's telephone number, Including area code **(02) 655-1111**
9. Former name, former address and fiscal year, if changed since last report **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding (₱)
Common	2,399,420,199	0
Preferred	40,000,000	0

11. Are any or all these securities listed on a stock exchange?

Yes [] No []

If yes, state the name of such stock exchange and classes of securities listed therein:

Philippine Stock Exchange **Common and Preferred Stock**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes No

- (b) has been subject to such filing requirements for the past 90 days.

Yes No

PART I –FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements of Megawide Construction Corporation (“Megawide”) as of June 30, 2016 with comparative figures as of December 31, 2015 and June 30, 2015, Cash Flows and Schedule of Aging Accounts Receivable is incorporated by reference as Exhibit 1.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

A. RESULTS OF OPERATIONS

Review of results for the six (6) months ended June 30, 2016 as compared with results for the six (6) months ended June 30, 2015

Group Revenue increased by 77% or P4.37 billion

The Group has recorded an exceptional performance for the period ended June 30, 2016 because the Construction Segment delivered an all-time high revenue amounting to P9.17 billion for a 6-month period. Meanwhile, Airport Operations Revenues contributed P896 million for the first half of 2016, this is an increase of 24% compared to the same period in 2015.

The construction revenue increased by 84% or P4.20 billion due to revenue earned from numerous significant contracts won by the Megawide such as Meridian Park Phase 1 of Double Dragon, Le Grand BPO Cluster Phase 1 & 2 of Megaworld, 8990 Tower in Edsa and Tondo of 8990 Holdings Inc, Landers Warehouse Balintawak & Otis of Southeast Asia Retail, Inc. and three Solar Power farm projects. On top of the higher construction revenues posted as of June 30, 2016, the Company likewise booked new contracts amounting to

P12.40 billion. As a result, total construction order book as of June 30, 2016 stands at P42.29 billion. These new contracts include Phase 2 of Meridian Park of Double Dragon, 10 West, St. Moritz, Southeast Asean Campus of Megaworld, and 8990 Tondo and Cubao by 8990 Holdings Inc.

Meanwhile, Megawide's airport subsidiary GMCAC posted an increase in revenues by 24% or P172 million due to strong Aeronautical Revenues, Commercial Revenues and Rental Revenues as a result of the increase in passenger traffic of 10% compared to the same period in 2015. Domestic and international flights increased by 7% and 18%, respectively, due to introduction of Emirates, PAL Cebu to Los Angeles and Eva Air and additional domestic flights to Davao, Bacolod, Butuan, Iloilo and CDO. Aero and aero-related revenues comprise 74% of the total airport revenues in 2016. Non-aero related revenues, which comprise 26% of the 2016 airport revenues, increased by P78 million from same period of last year primarily due to new concessionaire contracts and advertisements.

Gross Profit increased by 59% or P838 million

Gross profit earned from construction is P1.55 billion or 68% of the Group's gross profit while gross profit earned from airport operation amounted P721 million. Construction gross profit increased by 86% or P714 million while airport operations booked a gross profit of P722 million, 21% higher than the revenue earned as of the 2nd quarter of 2015. The increase in Group's gross profit is primarily attributable to a strong construction and airport revenue contribution.

Other Operating Expenses increased by 45% or P162 million

The increase in other operating expenses is directly proportionate to higher construction revenues for the period ended June 30, 2016.

Operating Profit increased by 63% or P676 million

The increase is a result of higher revenues from both construction and airport operations of the Group.

Finance Costs increased by 22% or P58 million

Increase in finance cost is mainly due to increase in loan availment of GMCAC from May 2015 up to June 2016 totaling to P2.28 billion. The loan availment of GMCAC were made in accordance with its drawdown schedule with the banks. The Use of Loan Proceeds was used for the construction of Terminal 2.

Finance Income increased by 56% or P31 million

The Group's finance income increased due to higher value of short-term placements and cash of the Parent Company.

Tax Expense increased by 116% or P194 million

Tax expense increased due mainly on the expiration of the Parent's Income Tax Holiday (ITH) Incentive in May 30, 2015 and growth in construction earnings in 2016. Upon completion of the BOI registration terms and condition on the renovation of terminal 1, GMCAC availed its ITH incentive. GMCAC is entitled to ITH for period of three years or until December 2018.

Net Income increased by 49% or P388 million

The Group's Consolidated Net Profit increased by P388 million compared to the same period in 2015 due to strong earnings from both construction and airport operations.

B. FINANCIAL CONDITION

Review of financial conditions of June 30, 2016 as compared with financial conditions of December 31, 2015

Current Assets increased by 5% or P1.10 billion

The following discussions provide a detailed analysis of the increase in current assets:

Cash and cash equivalents increased by 81% or P2.65 billion

The increase is due to cash generated from the operating and financing activities of the Group. Cash generated from operating activities amounted to P1.96 billion while financing activities contributed additional P323 million in cash. Of the Group's net operating cash flow of P1.96 billion, P1.46 billion came from the construction business and the balance from airport operations. In addition, Megawide has terminated portion of its short-term placements accounted for under Financial Assets at Fair Value amounting to P979 million and placed it in time deposits as part of Megawide's cash management program. Net cash generated from financing activities came from the loan availed by GMCAC to fund the construction of the new Mactan Cebu Airport Terminal 2.

Financial assets at fair value through profit or loss decreased by 16% or P979 million

The decrease is due to repositioning of portion of short-term placements to cash and cash equivalents as part of the cash management program of the Parent Company.

Trade and other receivables decreased by 4% or P331 million

Decrease is primarily due to collection of progress billings construction receivables as spike in revenue occurred towards the last quarter in 2015 while collection of which were received in early 2016.

Construction materials increased by 62% or P183 million

The increase is due to numerous purchases of materials to supply the projects' requirement.

Costs in excess of billings on uncompleted contracts – net decreased by 21% or P739M million

The decrease is typically due to realization of catch up of billings versus actual cost incurred to date for projects nearing completion like BPO Araneta Phase 1, Dep-Ed Phase 2, Shangrila, Mareic, The Rise, Philam Life and Arthaland Substructure.

Other current assets increased by 20% or P317 million

The increase is mainly due to increase in input vat and downpayments to supplier of the Parent as a result of increased in new contracts ready for mobilization.

Non-current assets increased by P375 million

The following discussions provide a detailed analysis of the increase in non-current assets

Investments in associates and joint venture increased by 7% or P54 million

The Parent Company infused fresh cash in MWM, Terminals Inc. (MWMTI) amounting to P31 million. MWMTI is the Consortium between Megawide and WM Property Management who will engage in the business of constructing, operating, and maintaining integrated transport system terminals, stations, hubs and all allied business in relation thereto, including the construction, operations and maintenance of the commercial assets and establishments, pursuant to the Concession Agreement that was signed on February 25, 2015 by MWMTI and DOTC. The Group also recognized its share in net earnings on its investment in Citicore-Megawide Consortium Inc (CMCI) amounting to P23 million. CMCI is 10% owned by Megawide.

Concession asset increased by 9% or P1.43 billion

Increase is due to capital investments of airport subsidiary GMCAC related to the construction of the new terminal 2 of Mactan-Cebu International Airport.

Property, plant and equipment decreased by P3 million

In 2016, the Group purchased equipment totaling P244 million, of which P233 million relates to the construction segment. Depreciation for the six-months period amounted to P247 million.

Other non-current assets decreased by P1.10 billion

The decrease pertains to portion of Restricted Funds of GMCAC's "Cash Flow Waterfall Accounts" required under the Omnibus Loan and Security Agreement that was released and transferred to unrestricted fund for use in operations amounting to P875 million. The agreement provides that working capital and capital expenditures of the next succeeding quarter's budget shall be released by the bank from GMCAC Cash Flow Waterfall Accounts on a quarterly basis. Also, in 2016, recoupment of downpayment amounting to P240 million for the construction of Mactan-Cebu International Airport were applied against progress billings.

Current liabilities decreased by 7% or P943 million

The following discussions provide a detailed analysis of the decrease in current liabilities.

Interest-bearing loans and borrowings current decreased by 18% or P642 million

The Parent Company paid portion of its short-term bank loans.

Trade and other payables decreased by 2% or P115 million

Decrease is basically due to payments made on extended credit terms granted by the supplier to the Parent as a result of the Parent's growing business relationship with its suppliers.

Advances from customers decreased by 23% or P390 million

The decrease is due to the recoupment of downpayment as a result of higher revenue generated by the Parent.

Billings in excess of costs on uncompleted contracts – net increased by 39% or P229 million

Increase is mainly due to new significant contracts booked last year which are at its early phase like Proscenium, Double Dragon, 8990 Holdings, Le Grand ABC & DEF Towers and Landers projects. Increase is typical as cost billings are higher compared to cost during early to middle phase of the construction.

Other current liabilities decreased by 23% or P25 million

Decrease is mainly due to decrease in output vat of the Group after application of input vat, which also increased due to front loaded purchases on new construction projects as a result of the growing order book of the construction segment.

Non-Current liabilities increased by 7% or P1.38 billion

The following discussions provide a detailed analysis of the increase in non-current liabilities.

Interest-bearing loans and borrowings - non-current increased by 7% or P1.36 billion

The increase is primarily due to GMCAC availment of P1.35 billion loan in 2016. The availment was made based on the drawdown schedule with bank to finance the construction of Terminal 2. Meanwhile, the Parent redeemed P40 million of its corporate note.

Deferred tax liability decreased by 18% or P25 million

Decrease is due to recognition of additional deferred tax asset of the Parent on retirement benefit obligation and actual versus estimated construction costs. The net amount of deferred tax asset or deferred tax liability is presented in either deferred tax asset or deferred tax liability.

Other non-current liabilities increased by P39 million or 41%

Increase is mainly due to the increase in the portion of the amount retained from the progress billings of Megawide GISPL Construction Joint venture (MGCJV), the construction arm created to facilitate construction of the airport terminal. MGCJV is 50% owned by

Megawide and is accounted for as joint operations in the consolidated financial statements. Retention payable will be due upon final acceptance of the constructed facility.

Equity attributable to Parent increased by 6% or P845 million

The increase is the mainly the function of the Megawide's share in net income of the Group amounting to P985 million net of dividends paid on preferred shares amounting to P141 million.

C. MATERIAL EVENTS AND UNCERTAINTIES

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighboring countries.

In July 2016, the Parent's Company's BOD approved the buy-back of 410,842,702 shares being held by Sybase Equity Investments Corporation at 10.03 per share or P4.12 billion

There are no other material changes in Megawide's financial position by five percent (5%) or more and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of Megawide.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems despite the share buy back transaction in July 2016. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance transactions, arrangements, obligations (including contingent obligations), and other relationships of Megawide with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

Although airport revenue operations are higher on certain months, there were no seasonal aspects that had a material effect on the financial condition or results of operations of Megawide.

There are no other material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no other material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

D. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide's pro forma statements of cash flows for the periods indicated:

(Amounts in P millions)	For six (6) months ended June 30	
	2016 (unaudited)	2015 (unaudited)
Cash Flow		
Net cash provided (used) by operating activities	1,958	1,281
Net cash (used) provided in investing activities	368	574
Net cash provided (used) by financing activities	323	929

Indebtedness

As of June 30, 2016, Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

E. RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide's short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risk are discussed in the quarterly financial statements, Exhibit 1.

F. Key Performance Indicators

Megawide's top key performance indicators (KPIs) are listed below:

LIQUIDITY RATIOS		
Key Indicators	June 30, 2016	June 30, 2015
Current ratio ¹	2.02	2.36
Acid test ratio ²	1.57	1.80
Cash ratio ³	0.93	1.20
Book value per share ⁴	4.70	4.16

SOLVENCY RATIOS		
Key Indicators	June 30, 2016	June 30, 2015
Interest-bearing debt ratio ⁵	0.57	0.57
Total debt ratio ⁶	0.47	0.50
Interest coverage ratio	5.52	4.67
Debt to equity ratio	1.32	1.32
Asset to equity ratio ⁷	2.83	2.62
PROFITABILITY RATIOS		
Key Indicators	June 30, 2016	June 30, 2015
Earnings per Share ⁸	0.35	0.23
Return on Assets ⁹	0.02	0.02
Return on Equity	0.07	0.05
Net Profit Margin ¹⁰	12%	14%

Notes:

1. Current Ratio (Current Assets / Current Liabilities)
To test Megawide's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
Measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on inventory
3. Cash Ratio (Cash + Cash Equivalents + Marketable Securities/ Current Liabilities)
A more conservative variation of quick ratio.It measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on receivables and inventory.
4. Book Value per Share (Equity/Shares Outstanding)
Measures the amount of net assets available to stockholders of a given type of stock
5. Interest-Bearing Debt Ratio (Interest-Bearing Debt/ Equity + Interest-Bearing Debt)
Measures the extent to which the assets having explicit cost are financed by interest-bearing debt
6. Total debt ratio (Total Liabilities/Total Assets)
Measures the percentage of funds provided by creditors
7. Asset to equity ratio (Total Asset/Total Equity)
Shows the relationship of the total assets to the portion owned by shareholders.
Indicates Megawide's leverage, the amount of debt used to finance the firm.
8. Earnings per Share (Net Income/Average Outstanding Shares)
Reflects Megawide's earning capability
9. Return on Assets (Net Income/Total Assets)
Indicates whether assets are being used efficiently and effectively
10. Net Profit Margin (Gross Profit/Total Sales)
Measures the percentage of net income to sales

PART II—OTHER INFORMATION


There are no any information not previously reported in a report on SEC Form 17-C.

SIGNATURES


Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed by the undersigned thereto duly authorized.

MEGAWIDE CONSTRUCTION CORPORATION

By:



MICHAEL C. COSIQUIEN
Principal Executive Officer
Date: August 15, 2016



OLIVER Y. TAN
Principal Financial Officer
Date: August 15, 2016

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	January to June 30,		April to June 30,	
		2016 (Consolidated)	2015 (Consolidated)	2016 (Consolidated)	2015 (Consolidated)
REVENUES					
Contract revenues	14	P 9,173,285,256	P 4,977,542,520	P 3,694,997,543	P 2,631,449,726
Airport operations revenues	14	895,977,307	723,534,568	464,788,302	374,191,089
		<u>10,069,262,563</u>	<u>5,701,077,088</u>	<u>4,159,785,845</u>	<u>3,005,640,815</u>
DIRECT COSTS					
Contract costs	15	7,626,754,787	4,145,228,364	2,997,047,604	2,227,439,461
Costs of airport operations	15	174,437,003	125,421,064	95,232,207	50,029,681
		<u>7,801,191,790</u>	<u>4,270,649,428</u>	<u>3,092,279,811</u>	<u>2,277,469,142</u>
GROSS PROFIT		<u>2,268,070,774</u>	<u>1,430,427,660</u>	<u>1,067,506,035</u>	<u>728,171,673</u>
OTHER OPERATING EXPENSES		<u>523,823,965</u>	<u>362,268,318</u>	<u>210,266,791</u>	<u>177,630,343</u>
OPERATING PROFIT		<u>1,744,246,808</u>	<u>1,068,159,342</u>	<u>857,239,244</u>	<u>550,541,330</u>
OTHER INCOME (CHARGES)					
Finance costs		(321,577,391)	(263,096,597)	(166,042,037)	(131,045,511)
Finance income		85,739,294	55,116,554	38,601,438	19,387,609
Others - net		30,573,583	97,539,012	20,303,038	85,422,715
		<u>(205,264,514)</u>	<u>(110,441,031)</u>	<u>(107,137,561)</u>	<u>(26,235,187)</u>
PROFIT BEFORE TAX		<u>1,538,982,294</u>	<u>957,718,312</u>	<u>750,101,683</u>	<u>524,306,143</u>
TAX EXPENSE		<u>361,385,410</u>	<u>167,624,500</u>	<u>145,669,974</u>	<u>104,613,066</u>
NET PROFIT		<u>1,177,596,884</u>	<u>790,093,812</u>	<u>604,431,709</u>	<u>419,693,077</u>
Net Profit Attributable To:					
Shareholders of the Parent Company		P 985,357,700	P 688,003,970	P 494,122,978	P 364,250,730
Non-controlling interests		192,239,184	102,089,842	110,402,799	55,442,348
		<u>P 1,177,596,884</u>	<u>P 790,093,812</u>	<u>P 604,525,777</u>	<u>P 419,693,078</u>
Total Comprehensive Income Attributable to:					
Shareholders of the Parent Company		P 985,357,700	P 688,003,970	P 494,122,978	P 364,250,730
Non-controlling interests		192,239,184	102,089,842	110,402,799	55,442,348
		<u>P 1,177,596,884</u>	<u>P 790,093,812</u>	<u>P 604,525,777</u>	<u>P 419,693,078</u>
Earnings per Share					
Basic and Diluted	17	<u>P 0.35</u>	<u>P 0.23</u>	<u>P 0.18</u>	<u>P 0.12</u>

See Notes to Interim Consolidated Financial Information.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND DECEMBER 31, 2015
(Amounts in Philippine Pesos)

			June 30, 2016 <u>(Unaudited)</u>		December 31, 2015 <u>(Audited)</u>
	Notes				
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	4	P	5,924,648,944	P	3,275,607,016
Trade and other receivables - net	5		7,474,033,286		7,805,456,077
Financial assets at fair value through profit or loss	6		5,008,094,043		5,987,368,932
Construction materials			475,727,159		292,789,987
Costs in excess of billings on uncompleted contracts			2,814,271,972		3,553,695,308
Other current assets	8		<u>1,897,668,855</u>		<u>1,580,539,626</u>
Total Current Assets			<u>23,594,444,259</u>		<u>22,495,456,946</u>
NON-CURRENT ASSETS					
Investments in associates and joint venture	7		872,909,129		818,794,027
Concession assets	9		17,795,875,465		16,369,897,950
Property, plant and equipment - net			4,945,096,936		4,948,123,726
Other non-current assets	8		<u>2,780,060,973</u>		<u>3,882,561,562</u>
Total Non-current Assets			<u>26,393,942,503</u>		<u>26,019,377,265</u>
TOTAL ASSETS		P	<u><u>49,988,386,762</u></u>	P	<u><u>48,514,834,211</u></u>

<u>LIABILITIES AND EQUITY</u>		June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	P 2,949,462,483	P 3,591,596,098
Trade and other payables	10	6,549,287,651	6,664,240,736
Advances from customers	12	1,302,417,878	1,692,217,652
Billings in excess of costs on uncompleted contracts		819,316,789	590,415,746
Other current liabilities	13	84,134,182	108,747,106
Total Current Liabilities		11,704,618,983	12,647,217,338
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	20,310,076,882	18,950,804,096
Post-employment defined benefit obligation		79,663,180	73,458,020
Deferred tax liabilities - net		119,363,061	144,722,425
Other non-current liabilities	13	133,364,387	94,428,948
Total Non-current Liabilities		20,642,467,510	19,263,413,489
Total Liabilities		P 32,347,086,493	P 31,910,630,827
EQUITY			
Equity attributable to shareholders of the Parent Company:			
Common stock		2,399,426,127	2,399,426,127
Preferred stock		40,000,000	40,000,000
Additional paid-in capital		8,105,750,476	8,105,750,476
Revaluation reserves		18,777,841	18,777,841
Other reserves		(22,474,837)	(22,474,837)
Retained earnings	16	4,675,500,316	3,830,642,616
Total equity attributable to shareholders of the Parent Company		15,216,979,923	14,372,122,223
Non-controlling interests		2,424,320,346	2,232,081,161
Total Equity		17,641,300,269	16,604,203,384
TOTAL LIABILITIES AND EQUITY		P 49,988,386,762	P 48,514,834,211

See Notes to Interim Consolidated Financial Information.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015
(Amounts in Philippine Pesos)

	Attributable to Shareholders of the Parent Company						Non-controlling Interests	Total	
	Common Stock	Preferred Stock	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings			Total
Balance at January 1, 2016	P 2,399,426,127	P 40,000,000	P 8,105,750,476	P 18,777,841	(P 22,474,837)	P 3,830,642,616	P 14,372,122,223	P 2,232,081,162	P 16,604,203,385
Total comprehensive income for the year	-	-	-	-	-	985,357,700	985,357,700	192,239,184	1,177,596,884
Cash dividends	-	-	-	-	-	(140,500,000)	(140,500,000)	-	(140,500,000)
Increase in other reserves during the year	-	-	-	-	-	-	-	-	-
Stock dividends	-	-	-	-	-	-	-	-	-
Balance at June 30, 2016	<u>P 2,399,426,127</u>	<u>P 40,000,000</u>	<u>P 8,105,750,476</u>	<u>P 18,777,841</u>	<u>(P 22,474,837)</u>	<u>P 4,675,500,316</u>	<u>P 15,216,979,923</u>	<u>P 2,424,320,346</u>	<u>P 17,641,300,269</u>
Balance at January 1, 2015	P 2,399,426,127	P 40,000,000	P 8,105,750,476	P 17,045,280	(P 21,792,413)	P 2,837,959,875	P 13,378,389,345	P 2,032,200,124	P 15,410,589,469
Total comprehensive income for the year	-	-	-	1,732,561	-	1,273,682,741	1,275,415,302	200,335,988	1,475,751,290
Cash dividends	-	-	-	-	-	(281,000,000)	(281,000,000)	-	(281,000,000)
Increase in other reserves during the year	-	-	-	-	(682,424)	-	(682,424)	(454,950)	(1,137,374)
Stock dividends	-	-	-	-	-	-	-	-	-
Balance at June 30, 2015	<u>P 2,399,426,127</u>	<u>P 40,000,000</u>	<u>P 8,105,750,476</u>	<u>P 18,777,841</u>	<u>(P 22,474,837)</u>	<u>P 3,830,642,616</u>	<u>P 14,372,122,223</u>	<u>P 2,232,081,162</u>	<u>P 16,885,203,385</u>

See Notes to Interim Consolidated Financial Information.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015
(Amounts in Philippine Pesos)

	June 30, 2016	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 1,538,982,294	P 957,718,313
Adjustments for:		
Finance costs	340,807,718	263,096,597
Depreciation and amortization	300,889,328	206,983,304
Finance income	(47,848,706)	(55,116,554)
Equity in net gains of associates and joint venture	(23,514,147)	(80,442,977)
Gain on disposals of property, plant and equipment	-	(3,050,287)
Operating profit before working capital changes	2,109,316,487	1,289,188,396
Decrease (increase) in trade and other receivables	338,317,501	(155,910,435)
Decrease (increase) in construction materials	(182,937,172)	46,513,382
Decrease (increase) in costs in excess of billings on uncompleted contracts	739,423,336	(248,520,560)
Increase in other current assets	(317,129,230)	(8,865,128)
Decrease in trade and other payables	(202,184,518)	(547,323,208)
Increase (decrease) in advances from customers	(389,799,774)	125,837,177
Increase in billings in excess of costs on uncompleted contracts	228,901,043	845,077,217
Increase in other liabilities	14,322,515	39,414,189
Increase in post-employment defined benefit obligation	6,205,160	10,065,750
Cash generated from operations	2,344,435,348	1,395,476,780
Cash paid for income taxes	(386,744,774)	(114,064,404)
Net Cash From Operating Activities	1,957,690,574	1,281,412,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss (FVTPL)	979,274,889	1,118,773,412
Increase (decrease) in other non-current assets	1,099,918,354	(1,208,756)
Payment for concession assets	(1,481,460,031)	(331,805,955)
Acquisitions of property, plant and equipment, and computer software license	(239,797,786)	(126,054,849)
Interest received	40,953,996	44,353,968
Acquisition of investment in joint venture and additional investments in associates	(30,600,955)	(133,638,135)
Net Cash From Investing Activities	368,288,467	573,999,685
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and borrowings	2,679,389,207	14,468,059,871
Repayment of interest-bearing loans and borrowings	(1,962,250,036)	(13,228,318,798)
Interest paid	(253,576,284)	(169,859,319)
Dividends paid	(140,500,000)	(140,500,000)
Net Cash From Financing Activities	323,062,887	929,381,754
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,649,041,928	2,784,793,815
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,275,607,016	4,431,651,910
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 5,924,648,944	P 7,216,445,725

See Notes to Interim Consolidated Financial Information.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION
JUNE 30, 2016 AND DECEMBER 31 AND JUNE 30, 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the “Parent Company”) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs general construction works which involve site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

Currently, the Parent Company is engaged in the business of construction, its sole business activity where it utilizes the services of subcontractors. In 2011, the production of the Parent Company’s modular housing components has been registered with the Board of Investments.

On September 22, 2014, the Philippine Securities Exchange Commission (SEC) approved the Parent Company’s amendment of articles of incorporation, which includes (i) the Parent Company’s power to extend corporate guarantees to its subsidiaries and affiliates, and (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares. Both common and preferred shares will have a par value of P1.0 per share.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the SEC approved the Parent Company’s application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE’s main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE.

The Parent Company is a subsidiary of Citicore Holdings Investment, Inc. (Citicore or the ultimate parent company) which owns and controls 56.8% and 57.4% of the issued and outstanding capital stock of the Parent Company as of June 30, 2016 and December 31, 2015, respectively. Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies.

The registered address of Citicore, which is also its principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City while the registered office of the Parent Company is located at 2nd Floor Spring Building, Arnaiz Avenue Corner P. Burgos St., Pasay City. The Parent Company also maintains an office in its own building at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the “Group”), which are all incorporated in the Philippines:

Subsidiaries:

- GMR Megawide Cebu Airport Corporation (GMCAC)
- Megawatt Clean Energy, Inc. (MCEI)
- Altria East Land, Inc. (Altria)
- Globemerchants, Inc. (Globalmechants)

Associates:

- Megawide World Citi Consortium, Inc. (MWCCI)
- Citicore Megawide Consortium, Inc. (CMCI)

Joint Arrangements:

Joint Operation –

- Megawide GISPL Construction Joint Venture (MGCJV)

Joint Venture –

- MWM Terminals, Inc. (MWMTI)

The Parent Company owns 60% ownership interest in GMCAC. GMCAC was incorporated in the Philippines and registered in the Philippine SEC on January 13, 2014. GMCAC’s primary purpose is to engage in the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014. GMCAC was established for the purpose of implementing the provisions of the Concession Agreement that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (DOTC) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors). GIL is an entity duly organized and registered in India. DOTC and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC’s registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

On September 4, 2014, the Parent Company acquired 70% of the issued and outstanding capital stock of MCEI. MCEI was incorporated to engage in the development of clean or renewable energy sources for power generation, including the design, construction and installation, purchase, importation, commissioning, owning, management and operation of relevant machinery, facilities and infrastructure therefor, and the processing and commercialization of by-products in its operations. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

On May 5, 2016, The Parent Company together with GMR Holdings Overseas (Singapore) Pte. Ltd. incorporated Globalmerchants, Inc to conduct and carry on the business of importing, exporting, buying, selling, marketing at wholesale in so far as permitted by the law all kinds of goods, wares, merchandise of every kind and description; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale and other dispositions for its account as principal or in a representative capacity as manufacturing representatives, merchandise broker,

indentor commission merchant, factors or agents upon consignment of all kinds of goods, wares, merchandise or product whether artificial or natural provided the same shall not engage in solicitation of investment contracts from public investors. Its registered address, which is also its principal place of business, is located at Mactan International Airport, Passenger Terminal Building, Airport Terminal, Brgy. Lapu-Lapu City, Cebu.

The transfer of shares by Altria to the Parent Company is accounted for as an asset acquisition since it does not constitute an acquisition of business.

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities.

MGCJV is an unincorporated joint venture formed on September 16, 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide all proper and suitable personnel and labor including supervision, materials, offices, workshops, tools, machinery, equipment and all other resources required for the construction of works for the renovation and expansion of the MCIA Project.

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and WM Property Management, Inc. (Waltermart), both exercising joint control to direct the relevant activities of MWMTI. The joint venture shall undertake the development and implementation of the Southwest Integrated Transport System Project (ITS Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTC.

The Group's interests in MGCJV and MWMTI are accounted for as joint arrangements as the Parent Company exercises joint control over the arrangements' relevant activities.

In 2015, the Parent Company acquired investment in Silay Solar Power, Inc. (SSPI) representing 100% of SSPI's issued and outstanding capital stock. However, the Group's equity investment in SSPI is only accounted for at cost as the Group ultimately neither exercises control or significant influence over SSPI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended December 31, 2015.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

These interim consolidated financial information have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended December 31, 2015.

The preparation of interim consolidated financial information in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) *Presentation of Financial Statements*

The interim consolidated financial information are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expense in a single statement of comprehensive income.

(c) *Functional and Presentation Currency*

These interim consolidated financial information are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim financial information are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to existing standards in accordance with their transitional provisions, which are mandatorily effective for its interim reporting period beginning January 1, 2016; and which did not have significant impact on the Group's interim consolidated financial information.

Discussed below and in the succeeding pages are the relevant information about these new PFRS, amendments and improvements.

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative*. The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of financial statements.
- (ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*. The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue

generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of economic benefits of an intangible asset are highly correlated.

The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture – Bearer Plants*. The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.
- (iv) PFRS 10, (Amendment), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.
- (v) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*. This amendment requires the acquirer of an interest in joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.
- (vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but management did not have impact on the interim consolidated financial information:
 - PAS 19 (Amendment), *Employee Benefits – Discount Rate*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.
 - PFRS 7 (Amendment), *Financial Instruments: Disclosures – Servicing Contracts*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered

to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PFRS 7 (Amendment), *Financial Instruments: Disclosures – Applicability of Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting*, when its inclusion would be necessary in order to meet the general principles of PAS 34.

(b) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2016. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions and, unless otherwise stated, none of these are expected to have significant impact on the interim consolidated financial information:

- (i) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

3. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

3.1 Business Segments

- (a) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

3.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

3.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations and financial position of the Group's business segments as of and for the periods ended June 30, 2016, December 31, 2015 and June 30, 2015 (amounts in thousands).

	Construction		Airport Operations		Total	
	June 30, 2016 <u>(Unaudited)</u>	June 30, 2015 <u>(Unaudited)</u>	June 30, 2016 <u>(Unaudited)</u>	June 30, 2015 <u>(Unaudited)</u>	June 30, 2016 <u>(Unaudited)</u>	June 30, 2015 <u>(Unaudited)</u>
Results of operations						
Revenues	P 9,423,238	P 4,977,543	P 895,977	P 723,534	P 10,319,215	P 5,701,077
Cost and other operating expenses:						
Cost of construction and airport operations excluding depreciation and amortization	7,611,386	3,953,613	120,352	73,241	7,731,738	4,026,854
Depreciation and amortization	242,128	209,053	58,761	54,890	300,889	263,943
Other expenses	339,377	166,330	162,288	175,437	501,665	341,767
	<u>8,192,891</u>	<u>4,328,996</u>	<u>341,401</u>	<u>303,568</u>	<u>8,534,292</u>	<u>4,632,564</u>
Segment Operating Profit	<u>P 1,230,347</u>	<u>P 648,547</u>	<u>P 554,576</u>	<u>P 419,966</u>	<u>P 1,784,923</u>	<u>P 1,068,513</u>
Statements of Financial Position						
Total Assets	<u>P 31,152,451</u>	<u>P 31,508,838</u>	<u>P23,049,011</u>	<u>P 21,175,251</u>	<u>P 54,201,462</u>	<u>P 52,684,088</u>
Total Liabilities	<u>P 16,421,130</u>	<u>P 17,351,820</u>	<u>P16,988,064</u>	<u>P 15,595,170</u>	<u>P 33,409,194</u>	<u>P 32,946,990</u>

3.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its interim consolidated financial information (amounts in thousands).

Profit or loss

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Total segment operating profit	P 1,784,923	P 1,068,513
Other allocated expense	(40,676)	(354)
Operating profit as reported in profit or loss	1,744,247	1,068,159
Finance costs	(321,577)	(263,097)
Finance income	85,739	55,117
Others – net	<u>30,573</u>	<u>97,539</u>
Profit before tax as reported in profit or loss	<u>P 1,538,982</u>	<u>P 957,718</u>

Assets

Total segment assets	P 54,201,462	P 52,684,088
Elimination of intercompany accounts	(4,263,712)	(4,207,674)
Deferred tax assets – net	-	-
Other unallocated assets	<u>50,637</u>	<u>38,420</u>
Total assets as reported in the statements of financial position	<u>P 49,988,387</u>	<u>P 48,514,834</u>

Liabilities

Total segment liabilities	P 33,409,194	P 32,946,990
Elimination of intercompany accounts	(1,112,861)	(1,074,617)
Other unallocated liabilities	<u>50,753</u>	<u>38,258</u>
Total liabilities as reported in the statements of financial position	<u>P 32,347,086</u>	<u>P 31,910,631</u>

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

There are two customers in both periods ended June 30, 2016 and June 30, 2015, wherein the revenues earned from each customer exceeded 10% of total revenues as presented in the interim consolidated statements of comprehensive income. The revenues earned from these customers accounted for 23% and 31% of total revenues in June 30, 2016 and June 30, 2015, respectively.

4. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are as follows:

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
Cash on hand	P 95,763,309	P 8,160,355
Cash in banks	2,355,666,576	1,645,055,529
Short-term placements	<u>3,473,219,059</u>	<u>1,622,391,132</u>
	<u>P5,924,648,944</u>	<u>P 3,275,607,016</u>

5. **TRADE AND OTHER RECEIVABLES - NET**

This account consists of the following:

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
Contract receivables:		
Third parties	P3,780,898,869	P 1,500,156,033
Related parties	<u>613,592,880</u>	<u>3,645,890,234</u>
	<u>4,394,491,749</u>	<u>5,146,046,267</u>
Retention receivables:		
Related parties	1,289,858,526	1,224,531,022
Third parties	<u>1,455,652,676</u>	<u>1,186,077,623</u>
	<u>2,745,511,202</u>	<u>2,410,608,645</u>
Advances to:		
Officers and employees	12,934,881	9,785,798
Related parties	<u>20,223,853</u>	<u>10,889,471</u>
	<u>33,158,734</u>	<u>20,675,269</u>
Receivables from airport operations	<u>264,417,575</u>	<u>205,449,635</u>
Other receivables	<u>45,662,905</u>	<u>31,885,140</u>
Allowance for impairment loss	(<u>9,208,879</u>)	(<u>9,208,879</u>)
	<u>P7,474,033,286</u>	<u>P 7,805,456,077</u>

Retention receivables pertain to progress billings which are withheld by the project owner equivalent to 5% or 10% as provided in the respective construction contract of each project. This will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized by the Concession Agreement.

Trade and other receivables do not bear any interest. All receivables are subject to credit risk exposure.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following:

	June 30, 2016	December 31, 2015
	(<u>Unaudited</u>)	(<u>Audited</u>)
Short-term commercial papers	P 5,006,213,597	P5,985,496,714
Unit investment trust funds (UITF)	<u>1,880,446</u>	<u>1,872,218</u>
	<u>P 5,008,094,043</u>	<u>P 5,987,368,932</u>

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of Investments in Associates and Joint Venture account are shown below:

	June 30, 2016	December 31, 2015
	(<u>Unaudited</u>)	(<u>Audited</u>)
Investments in:		
Associates	P 800,984,642	P 775,412,091
Joint venture	<u>71,924,487</u>	<u>43,381,936</u>
	<u>P 872,909,129</u>	<u>P 818,794,027</u>

7.1 Investments in Associates

The components of the carrying values of this account are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Acquisition cost:		
MWCCI	P 580,890,000	P 580,890,000
CMCI	<u>200,000,000</u>	<u>200,000,000</u>
	<u>780,890,000</u>	<u>780,890,000</u>
Equity share in net profit (losses):		
Balance at beginning of the period	(5,477,909)	2,881,889
Equity in net profit (losses) for the period	<u>25,572,551</u>	<u>(8,359,798)</u>
Balance at end of period	<u>20,094,642</u>	<u>(5,477,909)</u>
	<u>P 800,984,642</u>	<u>P 775,412,091</u>

7.2 Interest in Joint Venture

The carrying values of the interest in joint venture in MWMTI as of June 30, 2016 and December 31, 2015 follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Acquisition cost	P 74,347,089	P 43,746,135
Equity share in net losses	<u>(2,422,602)</u>	<u>(364,199)</u>
Balance at end of year	<u>P 71,924,487</u>	<u>P 43,381,936</u>

10.3 Interest in Joint Operation

The Parent Company's interest in MGCJV is accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV. The relevant financial information of the Group's interest in MGCJV which are included in the appropriate accounts in the Group's financial statements as of the end of the reporting period is as follows:

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
<i>Assets:</i>		
Cash and cash equivalents	P 312,603,513	P 370,594,371
Other current assets	30,371,690	13,832,551
Property, plant, and equipment - net	<u>3,165,867</u>	<u>2,403,341</u>
	<u>P 346,141,070</u>	<u>P 386,830,263</u>
<i>Liabilities:</i>		
Trade and other payables	P 43,116,928	P 12,054,595
Due to related parties	13,835,679	6,047,988
Billings in excess of on uncompleted contracts	127,628,151	167,188,266
Other liabilities	<u>26,200,379</u>	<u>7,560,655</u>
	<u>P 210,781,137</u>	<u>P 192,851,504</u>

8. OTHER ASSETS

This account is composed of the following:

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
<i>Current:</i>		
Advances to contractors and suppliers	P 1,125,593,726	P 931,961,213
Input VAT	600,277,842	250,666,756
Refundable security and bond deposits	83,714,951	73,335,038
Prepaid insurance	30,276,016	32,541,407
Prepaid taxes	28,611,874	264,627,367
Development costs	22,116,527	18,732,382
Prepaid rent	3,775,671	5,684,504
Prepaid subscription	1,361,675	2,232,143
Miscellaneous	<u>1,940,574</u>	<u>758,816</u>
	<u>P 1,897,668,855</u>	<u>P 1,580,539,626</u>

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
Non-current:		
Deferred input VAT	P 1,866,948,116	P 1,853,748,922
Advances to suppliers	443,725,677	684,473,732
Investment in Trust Fund	252,774,514	1,127,312,892
Deferred transaction cost	107,053,950	112,357,112
Deposits for condominium units	68,802,068	59,536,929
Computer software license	39,087,171	43,411,873
AFS financial assets	1,669,477	1,669,477
Others	<u>-</u>	<u>50,625</u>
	<u>P 2,780,060,973</u>	<u>P 3,882,561,562</u>

8.1 AFS Financial Assets

AFS financial assets pertain to the Group's investments in golf club shares purchased in 2014, and certain equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence. The details of AFS financial assets are shown below.

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
Golf club shares	P 1,044,472	P 1,044,472
Investment in SSPI – at cost	<u>625,005</u>	<u>625,005</u>
	<u>P 1,669,477</u>	<u>P 1,669,477</u>

As of June 30, 2016 and December 31, 2015, The Parent Company has ownership interest of 0.59% and 100%, respectively, representing the issued and outstanding capital stock of SSPI. In 2015, the Parent Company determined its control over SSPI is temporary as a result of dilution in ownership interest in 2016. Accordingly, the Group accounted for its investment in SSPI at cost, since its fair value cannot be determined reliably, which represents equity instrument wherein the Group neither exercises control or significant influence over SSPI after the dilution.

SSPI was incorporated in the Philippines on August 7, 2015 and established for the development, construction, installation and other related services through contractors, subcontractors, or otherwise, of solar power and other clean or renewable energy infrastructure. Its registered office, which is also its principal place of business, is located at 20 N. Domingo Street, Barangay Valencia, Quezon City.

8.2 Investment in trust fund

On November 28, 2014, the BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with BDO Unibank, Inc. – Trust and Investment Group (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as “Cash Flow Waterfall Accounts” and Loan Disbursement Accounts under Section 3, part D of the Omnibus Loan and

Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

9. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTC and MCIAA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, “An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes”, as Amended by R.A. No. 7718 (referred to as the “*BOT Law*”). Under the said agreement, GMCAC was granted by DOTC and MCIAA an exclusive right to design, develop, and undertake the MCIA Project; and enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets).

Concession assets include the P14,404.6 million upfront premium paid by the Group to the Philippine Government for the airport expansion project.

The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

10. TRADE AND OTHER PAYABLES

This account consists of the following:

	June 30, 2016	December 31, 2015
	(<u>Unaudited</u>)	(<u>Audited</u>)
Trade payables	P 5,206,590,661	P 5,401,441,309
Retention payable	881,151,972	738,469,357
Due to stockholders and related parties	169,534,613	149,469,596
Accrued expenses	142,091,450	233,024,375
Interest payable	87,231,433	88,735,622
Security deposits	30,529,741	29,048,978
Accrued salaries	32,057,781	24,051,499
Others	<u>100,000</u>	<u>-</u>
	<u>P 6,549,287,651</u>	<u>P 6,664,240,736</u>

11. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
Current:		
Bank loans	P 2,895,000,000	P 3,511,781,371
Obligations under finance lease	<u>54,462,483</u>	<u>79,814,727</u>
	<u>2,949,462,483</u>	<u>3,591,596,098</u>
Non-current:		
Bank loans	15,327,579,547	13,947,274,411
Notes payable	4,888,742,234	4,928,742,234
Obligations under finance lease	<u>93,755,101</u>	<u>74,787,451</u>
	<u>20,310,076,882</u>	<u>18,950,804,096</u>
	<u>P23,259,539,365</u>	<u>P 22,542,400,194</u>

11.1 Notes Payable

On February 19, 2013, the Parent Company executed a notes facility agreement with a local bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least paripassu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u>P 4,000,000,000</u>		

The nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

11.2 Bank Loans

(a) Omnibus Loan and Security Agreement

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to P3,500.0 million) into the facility. The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	<u>First 7 Years</u>	<u>Last 8 Years</u>
P2,000.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread
US\$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, certain assets of the Group are pledge as collateral on this loan.

(a) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P2.895 million and P3.511 million as of June 30, 2016 and December 31, 2015, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 2.5% to 3.0% in 2016 and 2.5% to 4.0% in 2015.

12. ADVANCES FROM CUSTOMERS

Advances from customers relates to the following projects:

	June 30, 2016	December 31, 2015
	(<u>Unaudited</u>)	(<u>Audited</u>)
Contracts in progress:		
Third parties	P 500,905,827	P 1,341,282,005
Related parties	<u>-</u>	<u>39,660,186</u>
	<u>500,905,827</u>	<u>1,380,492,191</u>
Deposit received prior to commencement of a project:		
Third parties	<u>801,512,051</u>	<u>311,275,461</u>
	<u>P1,302,417,878</u>	<u>P 1,692,217,652</u>

13. OTHER LIABILITIES

The details of this account are as follows:

	June 30, 2016 (<u>Unaudited</u>)	December 31, 2015 (<u>Audited</u>)
Current:		
Withholding taxes	P 43,926,869	P 44,624,709
Unearned income	16,150,098	11,354,543
Output VAT payable	14,988,360	30,660,378
Income tax payable	-	7,119,169
Others	<u>9,068,855</u>	<u>14,988,307</u>
	<u>84,134,182</u>	<u>108,747,106</u>
Non-Current:		
Security deposits	P 73,328,573	P 66,583,383
Retention Payable	58,299,284	25,649,402
Deferred Lease income	<u>1,736,530</u>	<u>2,196,163</u>
	<u>133,364,387</u>	<u>94,428,948</u>
	<u>P 217,498,569</u>	<u>P 203,176,054</u>

14. REVENUES

14.1 Contract Revenues

The details of this account for six months ended June 30, 2016 and 2015 are composed of:

	June 30, 2016 (<u>Unaudited</u>)	June 30, 2015 (<u>Unaudited</u>)
Contracts in progress	P 8,864,426,237	P 4,291,256,287
Completed contracts	<u>308,859,019</u>	<u>686,286,233</u>
	<u>P 9,173,285,256</u>	<u>P 4,977,542,520</u>

14.2 Airport Operations Revenues

The details of this account for six months ended June 30 are composed of the revenues from:

	June 30, 2016 (<u>Unaudited</u>)	June 30, 2015 (<u>Unaudited</u>)
Aeronautical	P 549,610,287	P 493,919,753
Aero related	111,790,090	73,435,556
Non-aero related	<u>234,576,930</u>	<u>156,179,259</u>
	<u>P 895,977,307</u>	<u>P 723,534,568</u>

15. DIRECT COSTS

15.1 Contract Costs

	June 30, 2016 (<u>Unaudited</u>)	June 30, 2015 (<u>Unaudited</u>)
Outside services	P 3,005,302,132	P 1,906,805,047
Materials	3,460,244,788	1,396,930,701
Project overhead	624,909,480	361,584,548
Salaries and employee benefits	311,373,790	288,867,292
Depreciation and amortization	<u>224,924,597</u>	<u>191,040,776</u>
	<u>P 7,626,754,787</u>	<u>P 4,145,228,364</u>

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

15.2 Airport Operation Costs

	June 30, 2016 (<u>Unaudited</u>)	June 30, 2015 (<u>Unaudited</u>)
Amortization of concession asset	P 55,482,516	P 52,180,642
Utilities	51,097,813	23,912,015
Salaries and other benefits	20,425,075	2,392,124
Insurance	12,421,541	16,300,289
Airline collection charges	11,206,188	10,032,382
Airport operator's fee	8,928,175	8,861,850
Rental of check-in counters	5,955,885	9,364,320
Others	<u>8,919,810</u>	<u>2,377,442</u>
	<u>P 174,437,003</u>	<u>P 125,421,064</u>

16. CASH DIVIDENDS

On February 9, 2016, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2015. The series of record dates and payments are as follows:

	<u>Record dates</u>	<u>Payment dates</u>
1 st Quarter	February 23, 2016	March 3, 2016
2 nd Quarter	May 10, 2016	June 3, 2016

The dividends on the preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

17. EARNINGS PER SHARE

	June 30, 2016 (<u>Unaudited</u>)	June 30, 2015 (<u>Unaudited</u>)
Net profit attributable to shareholders of the Parent Company	P 985,357,700	P 688,003,969
Dividends on cumulative preferred shares	(<u>140,500,000</u>)	(<u>140,500,000</u>)
Income available to shareholders of the Parent Company	844,857,700	547,503,969
Divided by weighted average number of outstanding common shares	<u>2,399,426,127</u>	<u>2,399,426,127</u>
Basic and diluted EPS	<u>P .35</u>	<u>P .23</u>

The Group does not have dilutive potential common shares outstanding as of June 30, 2016 and 2015; hence, diluted EPS is equal to the basic EPS.

18. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim consolidated financial information.

19. SEASONAL OR CYCLICALITY OF OPERATIONS

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighboring countries.

20. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

21. EVENTS AFTER THE REPORTING PERIOD

In July 2016, the Parent's Company's BOD approved the buy-back of 410,842,702 shares being held by Sybase Equity Investments Corporation at 10.03 per share or P4.12 billion

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described on the succeeding paragraphs.

21.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the following financial assets and financial liabilities at the end of the reporting periods:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash in banks	P 1,039,751,358	P 22,379,206
Investment in trust fund	40,006,034	364,341,980
Trade and other payables	(22,502)	(1,639,853)
Long-term debt	(1,458,860,000)	(517,660,000)
	<u>(P 379,125,110)</u>	<u>(P 132,578,667)</u>

If Philippine peso had strengthened by 5% against the US dollar, with all other variables held constant, profit before tax for the period ended June 30, 2016 and 2015 would have increased by P19.09 million and P3.20 million, respectively. If the Philippine peso had weakened by the same percentages against the US dollar, then profit before tax would have decreased by the same amounts. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short term placements which are subject to monthly repricing intervals. All other financial assets and liabilities have fixed rates or are noninterest-bearing.

(c) *Other Price Risk Sensitivity*

The Group's market price risk arises from its financial assets at FVTPL carried at fair value, except for short-term commercial papers measured at amortized cost that approximates their fair values. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment and at some extent, diversifying the investment portfolio in accordance with the limit set by the management. As of June 30, 2016 and 2015, these financial assets are valued at P5,008.1 million and P5,987.4 million, respectively.

In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored for further fluctuations in existing market yield rates.

21.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	June 30, 2016	December 31, 2015
	(<u>Unaudited</u>)	(<u>Audited</u>)
Cash and cash equivalents	P 5,924,648,944	P 3,275,607,016
Trade and other receivables – net	7,474,033,286	7,805,456,077
Financial assets at FVTPL	5,008,094,043	5,987,368,932
Refundable security and bond deposits	83,714,951	73,335,038
Investment in trust fund	<u>252,774,514</u>	<u>1,127,312,892</u>
	<u>P 18,743,265,738</u>	<u>P 18,269,079,955</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

Of the gross carrying amount of trade and other receivables, certain portion is due from various related parties as of June 30, 2016 and December 31, 2015. The Group mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from the related parties and ensuring that collections are received within the agreed credit period. Moreover, the related advances from customers will be offset against the trade and other receivables.

Receivables are usually due within 30 to 120 days and do not bear any interest.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The contract receivables that are past due but not impaired are as follows:

	June 30, 2016	December 31, 2015
	(<u>Unaudited</u>)	(<u>Audited</u>)
Not more than 3 months	P 187,046,935	P 184,804,848
More than 3 months but not more than 4 months	10,899,596	353,676,498
More than 4 months but not more than one year	<u>32,499,419</u>	<u>134,939,090</u>
	<u>P 230,445,950</u>	<u>P 673,420,436</u>

The Group's management considers that the financial assets which are past due but not impaired for each reporting period are of good credit quality based on historical default rates. The balance of such receivables relates to reputable companies that have a good track record with the Group.

(c) *Financial Assets at FVTPL and Investment in Trust Fund*

In 2016 and 2015, the Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) *Refundable Security and Bond Deposits*

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end

of the lease term, to apply deposit to rentals due. Also, the bond deposits are made with certain reputable Philippine government agency, hence, the exposure on credit risk is assessed by the management to be not be significant.

21.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

	<u>June 30, 2016 (Unaudited)</u>		
	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>
Interest-bearing loans and borrowings	P 2,898,085,972	P 54,462,483	P20,351,906,834
Trade and other payables	6,549,287,651	-	-
Security deposits (gross of unearned income)	-	-	75,065,104
Retention payable (under Other Non-current Liabilities)	-	-	58,299,284
	<u>P9,447,373,623</u>	<u>P 54,462,483</u>	<u>P20,485,271,222</u>
	<u>December 31, 2015 (Audited)</u>		
	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>
Interest-bearing loans and borrowings	P 3,609,595,846	P 86,070,314	P19,451,888,501
Trade and other payables	6,664,240,736	-	-
Security deposits (gross of unearned income)	-	-	68,779,546
Retention payable (under Other Non-current Liabilities)	-	-	25,649,402
	<u>P10,273,836,582</u>	<u>P 86,070,314</u>	<u>P19,546,317,449</u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

23. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the statements of financial position are shown below.

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 5,924,648,944	P 5,924,648,944	P 3,275,607,016	P 3,275,607,016
Trade and other receivables – net	7,474,033,286	7,474,033,286	7,805,456,077	7,805,456,077
Refundable security and bond deposits	83,714,951	83,714,951	73,335,038	73,335,038
Investment in trust fund	252,774,514	252,774,514	1,127,312,892	1,127,312,892
	<u>13,735,171,695</u>	<u>13,735,171,695</u>	<u>12,281,711,023</u>	<u>12,281,711,023</u>
Financial assets at FVTPL:				
Short-term commercial papers	5,006,213,597	5,006,213,597	5,985,496,714	5,985,496,714
UITF	1,880,446	1,880,446	1,872,218	1,872,218
	<u>5,008,094,043</u>	<u>5,008,094,043</u>	<u>5,987,368,932</u>	<u>5,987,368,932</u>
AFS financial assets :				
Club shares	1,044,472	1,044,472	1,044,472	1,044,472
Investment in SSPI – at cost	625,005	625,005	625,005	625,005
	<u>1,669,477</u>	<u>1,669,477</u>	<u>1,669,477</u>	<u>1,669,477</u>
	<u>P 18,744,935,215</u>	<u>P 18,744,935,215</u>	<u>P 18,270,749,432</u>	<u>P 18,270,749,432</u>
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P 23,259,539,365	P 23,259,539,365	P 22,542,400,194	P 19,914,967,111
Trade and other payables	6,549,287,651	6,549,287,651	6,664,240,736	2,808,372,648
Security deposits	75,065,104	75,065,104	68,779,546	68,779,546
Retention payable	58,299,284	58,299,284	25,649,204	25,649,204
	<u>P 29,942,191,404</u>	<u>P 29,942,191,404</u>	<u>P 29,301,069,680</u>	<u>P 29,301,069,680</u>

There were neither transfers between Level 1 and 2 nor changes in Level 3 instruments in both periods.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 AGING OF AR BALANCE AFTER OFFSETTING
 AS OF JUNE 30, 2016

PROJECT	BALANCE	Current	0-90 days	91-120 days	121-360 days	Over 360 days
CONSTRUCTION RECEIVABLES	4,394,491,749	1,604,461,180	2,615,992,878	10,899,596	32,499,419	130,638,675
AIRPORT OPERATION RECEIVABLES	264,417,575	156,828,884	32,871,222	21,404,632	53,312,838	-
GRAND TOTAL	4,658,909,324	1,761,290,064	2,648,864,100	32,304,228	85,812,257	130,638,675